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Message Text

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43
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PASS EXIM

E.O. 11652: N/A
TAGS: ETRD YO
SUBJ: MAJOR PROJECTS: ELECTRIC LOCOMOTIVES FOR SLOVENIA

1. SUMMARY. J.S. FERRISS, INTERNATIONAL SALES DIVISION, GENERAL ELECTRIC, CALLED TO DISCUSS CURRENT STATE OF GE NEGOTIATIONS FOR INDUSTRIAL COOPERATION IN PRODUCTION OF ELECTRIC LOCOMOTIVES, A PROJECT WITH A TOTAL VALUE OF $35-MILLION. END SUMMARY.

2. SLOVENIAN RAILWAYS HAS INVITED BIDS, I.E., TOTAL "TURNKEY" PROPOSALS, FOR SUPPLYING ELECTRIC LOCOMOTIVES. FERRISS, WHO IS OPTIMISTIC ABOUT GE PROSPECTS, SAID THAT HPUGYROPOSAL TO YUGOSLAVS IS AS FOLLOWS: A TWO TO FOUR YEAR AGREEMENT FOR PRODUCTION OF THIRTY-NINE 3,000 VOLT DC - 3,000 KW ELECTRIC LOCOMOTIVES, VALUED AT ABOUT $500-THOUSAND EACH, WITH PRODUCTION TO COMMENCE IN 1974-75. GE FROM ERIE PLANT TO SUPPLY MOTOR AND OTHER ELECTRIC COMPONENTS THAT MAKE-UP TRUCK PORTION OF LOCOMOTIVE. PLATFORM, CAB, AND OTHER PARTS, INCLUDING ASSEMBLY, TO BE DONE IN YUGOSLAVIA.

3. GE IN FINAL STAGES OF NEGOTIATIONS WITH SLOVENIAN RAILWAYS AND
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EXPECTS TO SUBMIT FINAL BID ON SEPTEMBER 1, 1973. FERRISS ALSO

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MEETING WITH YUGOSLAV ASSOCIATION OF ROLLING STOCK PRODUCERS FOR SELECTION OF ENTERPRISES THAT WILL JOIN IN PRODUCTION OF LOCOMOTIVES. QUOTATIONS ON PRODUCTION CAPABILITIES AND PRICES

FROM YUGOSLAV PRODUCERS NECESSARY BEFORE BID IS COMPLETED. GE ENGINEERS HAVE BEEN IN CONTACT WITH PROSPECTIVE PRODUCERS.

4. FINANCING IS, OF COURSE, A KEY FACTOR. FERRISS SAYS THAT GE INTENDS TO SUBMIT APPLICATION TO EXIM BANK SOON FOR CREDIT ON US EQUIPMENT, WHICH CMDPRISES APPROXIMATELY TWO-THIRDS OF TOTAL COST. HE SAYS THAT GE ALSO SEEKING LINES OF CREDIT FOR TEN PERCENT DEPOSIT ON EXIM CREDIT AND FOR LOCAL COSTS. ALSO, GE PURCHASERS WILL BE VISITING YUGOSLAVIA SOON TO EXPLORE PROSPECTS FOR YUGOSLAV EXPORTS WHICH WOULD BECOME PART OF OFFSET WHICH SLOVENIAN RAILWAYS ANXIOUS TO MAXIMIZE.

5. FERRISS SAID THAT THERE ARE TWO SERIOUS COMPETITORS: (1) POLAND THROUGH ITS ENTERPRISE "KOLMEX." HE COMMENTS THAT THE POLEFLHAVE GOOD PRODUCTION CAPABILITIES FOR ELECTRIC LOCOMOTIVES. HOWEVER, HE SAYS THEY WILL PROBABLY NOT GET CONTRACT DUE TO LACK OF YUGOSLAV CONFIDENCE IN POLISH TECHNOLOGY AND LACK OF HARD CURRENCY. (2) GENERAL ELECTRIC COMPANY OF ENGLAND (NO AFFILIATE OF GE IN THE US) WHICH IS TOUGHEST COMPETITOR DUE TO PRICING. FERRISS SAYS THAT GE IN THE US BETTER VENDOR BECAUSE OF ABILITY TO PROVIDE QUICKLY AS MANY UNITS AS THE SLOVENIANS REQUIRE, WHICH THE BRITISH CANNOT DO.

6. COMMENT: TOGETHER WITH ITS BID ON KRSKO NUCLEAR POWER PROJECT, GE LOCOMOTIVE PROJECT REPRESENTS CONSIDERABLE GE PRESENCE. THIS IS SIGNIFICANT ADVANCE IN U.S. PENETRATION RAIL-ROAD INDUSTRY. PULLMAN COMPETITIVENESS FOR CARS IS ALSO ENCOURAGING. GE VERY INTERESTED IN EXPANSION PLANS FOR SERBIA. EMBASSY ANXIOUS TO LEND ALL POSSIBLE SUPPORT TO THIS FAVORABLE TREND.
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